

CITY OF GREENSBURG, KANSAS

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
and
OMB CIRCULAR A-133, SINGLE AUDIT REPORTS
YEAR ENDED DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Greensburg, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of The City of Greensburg, Kansas as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A of the financial statement, the financial statement is prepared by the City of Greensburg, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Greensburg, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Greensburg, Kansas as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013, on our consideration of the City of Greensburg, Kansas’s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures, schedule of regulatory basis receipts and expenditures – agency funds and schedule of regulatory basis receipts and expenditures-related municipal entity. Schedules 1, 2, 3, and 4 as listed in the table of contents and schedule of expenditures of federal awards, as required by the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures, (Schedule 2 as listed in the table of contents) upon which we rendered an unqualified opinion dated August 21, 2012, are also presented for comparative analysis and are not a required part of the 2012 financial statement. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management and Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the 2011 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.

Kennedy McKee & Company LLP

July 30, 2013

CITY OF GREENSBURG, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

Year ended December 31, 2012

<u>Funds</u>	Beginning unencumbered cash balance (deficit)	Prior year canceled encumbrances	Cash receipts
Governmental type funds:			
General fund:			
General	\$ 518,891	\$ -	\$ 886,179
Special purpose funds:			
City tax infrastructure	276,642	-	98,553
Big well	409,122	-	231,112
Fire equipment reserve	70,658	-	-
Special highway	162,092	-	20,103
Incubator	243,049	-	58,074
Tourism and convention promotion	68,269	-	81,069
Nonbudgeted special purpose funds:			
Public building - big well	(128,875)	-	1,964,429
FEMA tornado	47,451	-	18,968
Tornado donation	-	-	27,708
Tornado insurance	1,757,435	-	-
Airport grant	-	-	308,525
Energy manager	9,305	-	55,551
FEMA loan	2,430	-	-
Planet green donation	10,537	-	88
Public building - debt service	-	-	56,088
Public building - reserve	-	-	5,609
Total special purpose funds	2,928,115	-	2,925,877
Business funds:			
Electric utility	798,810	-	1,471,713
Water utility	57,145	-	257,045
Sewage disposal	39,918	-	50,266
Sanitation	124,662	-	106,474
Nonbudgeted business funds:			
Electric debt service	14,218	-	166,364
Electric debt reserve	100,000	-	-
Water reserve	17,920	-	-
Water principal and interest	26,441	-	2,045,700
USDA grant	(280,672)	-	2,407,905
Sewer replacement	28,192	-	-
Sanitation capital reserve	71,542	-	5,000
Meter deposits	22,565	-	4,980
Total business funds	1,020,741	-	6,515,447
Related municipal entity:			
Greensburg Housing Authority	56,210	-	159,161
Total reporting entity (excluding agency funds)	\$ 4,523,957	\$ -	\$ 10,486,664

STATEMENT 1

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<u>Expenditures</u>	<u>Ending unencumbered cash balance (deficit)</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance (deficit)</u>
<u>\$ 980,669</u>	<u>\$ 424,401</u>	<u>\$ 45,153</u>	<u>\$ 469,554</u>
105,481	269,714	-	269,714
218,000	422,234	6,676	428,910
-	70,658	-	70,658
3,836	178,359	-	178,359
67,908	233,215	2,879	236,094
64,990	84,348	850	85,198
1,845,551	(9,997)	3,276	(6,721)
66,419	-	163,452	163,452
200	27,508	-	27,508
56,709	1,700,726	-	1,700,726
308,525	-	-	-
64,856	-	-	-
2,430	-	-	-
-	10,625	-	10,625
56,088	-	-	-
-	5,609	-	5,609
<u>2,860,993</u>	<u>2,992,999</u>	<u>177,133</u>	<u>3,170,132</u>
1,498,012	772,511	90,383	862,894
89,043	225,147	3,493	228,640
53,874	36,310	2,047	38,357
104,782	126,354	8,219	134,573
166,581	14,001	-	14,001
-	100,000	-	100,000
-	17,920	-	17,920
2,033,927	38,214	-	38,214
2,830,195	(702,962)	487,412	(215,550)
-	28,192	-	28,192
-	76,542	-	76,542
5,600	21,945	600	22,545
<u>6,782,014</u>	<u>754,174</u>	<u>592,154</u>	<u>1,346,328</u>
<u>143,787</u>	<u>71,584</u>	<u>7,036</u>	<u>78,620</u>
<u>\$ 10,767,463</u>	<u>\$ 4,243,158</u>	<u>\$ 821,476</u>	<u>\$ 5,064,634</u>

CITY OF GREENSBURG, KANSAS**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH (CONTINUED)
REGULATORY BASIS**

Year ended December 31, 2012

Composition of cash balance:

Operating checking	\$ 3,947,546
Donation checking	826,673
Savings	10,625
Contingent fund	1,400
Cash on hand	100
Investments	200,000
Related Municipal Entity	<u>78,620</u>
Total cash	5,064,964
Agency funds:	
Sales tax	<u>(330)</u>
Total - excluding agency funds	<u><u>\$ 5,064,634</u></u>

The notes to the financial statement are an integral part of this statement.

CITY OF GREENSBURG, KANSAS

NOTES TO FINANCIAL STATEMENT

December 31, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

The City of Greensburg is a municipal corporation governed by an elected mayor and an elected five-member council. The financial statement presents the City of Greensburg (the municipality), the Public Building Commission (part of the municipality), and the Greensburg Housing Authority (related municipal entity). The Public Building Commission and Greensburg Housing Authority are included in the City's reporting entity because they were established to benefit the city and/or its constituents.

Public Building Commission. The Commission was authorized by City Ordinance No. 988, pursuant to K.S.A. 12-1757 *et. seq.*, and all amendments thereto, and as amended, supplemented and limited by the City of Greensburg, Kansas Charter Ordinance No. 11 establishing the composition thereof and purpose for which established. For financial reporting, the financial activities of the Public Building Commission are accounted for within non-budgeted special purpose funds.

Greensburg Housing Authority. The City of Greensburg operates the City's Housing Authority. The Greensburg Housing Authority governing board is appointed by the City Council. Although the City does not have the authority to approve or modify the Housing Authority's operational and capital budgets, and the Housing Authority has the authority to issue bonded debt, the City is fiscally responsible for the Housing Authority as it was created as an agent of the City. Complete financial records for the Housing Authority may be reviewed at the administrative offices of the entity at 810 South Spruce, Greensburg, KS 67054.

2. Regulatory Basis Fund Types

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services.

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (continued)

A legal operating budget is not required for utility reserve funds and the following special purpose funds:

Public building – big well	Energy manager
FEMA tornado	FEMA loan
Tornado donation	Planet green donation
Tornado insurance	Public building – debt service
Airport grant	Public building - reserve

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Ad Valorem Tax Revenue

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Taxes are levied by November 1 and a lien for all taxes attaches on that same date until the taxes are paid. One-half of the property taxes is due December 20 and distributed to the City by January 20, and the second half is due May 10 and distributed to the City by June 5. The City draws available funds from the County Treasurer's office at designated times throughout the year.

6. Cash and Investments

To facilitate better management of the Municipality's cash resources, excess cash is combined in pooled operating account. Each fund's portion of total cash is based on its equity in the pooled cash account. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are distributed to the general fund and other appropriate funds. Investments consist of certificates of deposit reported at cost, which approximates fair value.

B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Municipality. The statute requires banks eligible to hold the Municipality's funds have a main or branch bank in the county in which the Municipality is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Municipality has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Municipality's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Municipality has no investment policy that would further limit its investment choices.

B. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2012.

At December 31, 2012 the carrying amount of the Municipality's deposits, including certificates of deposit, was \$4,986,244 and the bank balance was \$4,991,517. Of the bank balance, \$450,000 was covered by federal depository insurance, and \$4,541,517 was collateralized with securities held by the pledging financial institutions agents in the Municipality's name.

C. PENSION COSTS AND EMPLOYEE BENEFITS

1. Defined Benefit Pension Plan

Plan description. The City of Greensburg, Kansas, participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603), at the following website: <http://www.kpers.org/annualreport2012.pdf> or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The City of Greensburg employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$51,129, \$41,416 and \$43,974, respectively, equal to the regulatory required contributions for each year as set forth by the legislature.

2. Other Employee Benefits

Vacation leave – Vacation leave is earned and credited according to a table in the employee handbook. Time is credited to the employee on a monthly basis, and begins at 96 hours per year for employees with 1 to 10 years employment, at 11 years it is increased to 120 hours, and at 15 years it is increased to 144 hours. The vacation leave is credited in the month that it is earned, and is allowed to accumulate to 160 hours. Vacation is payable upon employee termination.

C. PENSION COSTS AND EMPLOYEE BENEFITS (CONTINUED)

2. Other Employee Benefits (Continued)

Sick leave – Full time employees earn 8 hours of sick leave for each month of service. Sick leave may be accumulated up to 720 hours. Accumulated sick leave is not paid upon termination or resignation, except for employees retiring under the Kansas Public Employee Retirement System are eligible to be paid for one-half of their accumulated sick leave.

Compensatory time - Compensatory time is also an option for employees. This allows employees to bank their overtime (actually defer payment to a later point in time) instead of being paid for it in the pay period it was earned. One hour of overtime is converted to one and one-half hours of comp time. Any compensatory time granted shall be used within thirty days following receipt of that time. Any accumulated compensatory time remaining following the end of thirty days shall be paid at one and one-half times the regular rate of pay.

Section 125 Plan - The Municipality offers a Section 125 flexible benefit plan for all employees electing to participate. It is used for health and dental insurance premiums as well as other allowable product premiums withheld from the employee's paycheck, including unreimbursed medical expenses and dependent care expenses. The plan is administered by the health insurance provider.

3. Other Post Employment Benefits.

As provided by K.S.A. 12-5040, the Municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Municipality is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement. This year the Municipality had no retirees participating in the health insurance.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Municipality makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Municipality under this program.

D. LONG-TERM DEBT

Changes in long-term liabilities for the entity for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Water refunding series 2002A bonds					
Issued August 12, 2002					
In the amount of \$845,000					
At interest rates of 3.00% to 4.40%					
Maturing October 1, 2015	\$ 295,000	\$ -	\$ 295,000	\$ -	\$ 13,066
Water improvements series 2002B bonds					
Issued August 12, 2002					
In the amount of \$80,000					
At interest rates of 3.00% to 4.40%					
Maturing October 1, 2015	20,000	-	5,000	15,000	850
Temporary notes series 2012					
Issued March 15, 2012					
In the amount of \$1,715,000					
At interest rate of 0.4877%					
Maturing March 1, 2013	-	1,715,000	1,715,000	-	4,996
Refunding and improvement series 2012 bonds					
Issued September 27, 2012					
In the amount of \$2,188,000					
At interest rate of 2.75%					
Maturing September 27, 2052	-	2,188,000	-	2,188,000	15
	<u>315,000</u>	<u>3,903,000</u>	<u>2,015,000</u>	<u>2,203,000</u>	<u>18,927</u>
Revenue bonds:					
Electric utility system					
Issued June 1, 2001					
In the amount of \$1,800,000					
At interest rates of 3.75% to 5.50%					
Maturing June 1, 2016	730,000	-	130,000	600,000	36,581
Public building commission					
Issued November 22, 2011					
In the amount of \$1,000,000					
At interest rate of 3.75%					
Maturing November 22, 2041	1,000,000	-	18,588	981,412	37,500
	<u>1,730,000</u>	<u>-</u>	<u>148,588</u>	<u>1,581,412</u>	<u>74,081</u>
Loan from State of Kansas:					
15% share of local assistance projects *	2,074,779	412	-	2,075,191	-
Total long-term debt	<u>\$4,119,779</u>	<u>\$3,903,412</u>	<u>\$2,163,588</u>	<u>\$5,859,603</u>	<u>\$ 93,008</u>

* Memorandum of understanding signed with the State of Kansas is to provide funding for the 15% local match required by FEMA projects. The interest rate and repayment schedule will be determined at a future date.

D. LONG-TERM DEBT (CONTINUED)

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 35,701	\$ 60,815	\$ 96,516
2014	36,545	59,761	96,306
2015	37,413	58,678	96,091
2016	33,304	57,567	90,871
2017	34,220	56,651	90,871
2018-2022	185,743	268,612	454,355
2023-2027	212,728	241,627	454,355
2028-2032	243,630	210,725	454,355
2033-2037	279,024	175,331	454,355
2038-2042	319,560	134,795	454,355
2043-2047	365,983	88,372	454,355
2048-2052	419,149	35,206	454,355
Total	<u>\$ 2,203,000</u>	<u>\$ 1,448,140</u>	<u>\$ 3,651,140</u>

Current maturities of revenue bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 154,285	\$ 66,091	\$ 220,376
2014	165,008	57,668	222,676
2015	175,758	48,667	224,425
2016	186,537	39,089	225,626
2017	22,344	33,743	56,087
2018-2022	124,936	155,502	280,438
2023-2027	150,185	130,251	280,436
2028-2032	180,538	99,900	280,438
2033-2037	217,024	63,413	280,437
2038-2041	204,797	19,556	224,353
Total	<u>\$ 1,581,412</u>	<u>\$ 713,880</u>	<u>\$ 2,295,292</u>

Revenue bond disclosures

Revenue bond ordinances provide for deposits to (a) principal and interest accounts each year to provide for the payment of principal and interest on the bonds as they become due and payable and (b) a reserve account to be used for operations, maintenance, repairs and improvements of the system, early redemption of the bonds or for transfer to any other lawful fund of the Municipality.

Series 2001 Electric Utility System. During the year ended December 31, 2012, the Series 2001 Electric Utility System made principal payments of \$130,000 and interest payments of \$36,581. The number of customers served by the system at the beginning and end of the fiscal year were 558 and 560 respectively.

The rate covenant of Series 2001 Electric Utility System in Article VIII, Section 802 stipulates that net revenues of the Electric Fund should not be less than 120% of the debt service requirements in a fiscal year. For the year ended December 31, 2012, the net revenue was \$140,066, which was \$59,824 short of the required net revenue.

E. RELATED PARTIES CAPITAL LEASE

On November 22, 2011, the City of Greensburg entered into a lease purchase agreement with the City of Greensburg Public Building Commission for the lease of a building for the purpose of operating the Big Well Museum and Gift Shop. The agreement calls for basic rental payments of \$56,088, with payments due annually starting in 2012 and ending in 2041. These rental payments will be used to pay the Public Building Commission revenue bonds (shown in Note D) as they mature. The agreement also calls for additional rent payments of \$5,609, with payments due annually starting in 2012 and ending in 2021. According to Article XVIII of the agreement, the City of Greensburg may elect to exercise their right to purchase the property at any time during the term of the lease. The purchase price shall be the sum of the unpaid rent, additional rent and closing costs.

F. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory authority</u>	<u>Amount</u>
Electric utility	Electric debt service	K.S.A. 12-1204	\$ 166,364
Water utility	Water principal and interest	K.S.A. 12-1204	23,914
Sanitation	Sanitation capital reserve	K.S.A. 12-825d	5,000
FEMA loan	General	K.S.A. 12-1663	2,430
Tornado insurance	Airport grant	K.S.A. 3-601	<u>25,436</u>
			<u>\$ 223,144</u>

G. CONTINGENCIES

As of January 17, 2012, the Federal Emergency Management Agency (FEMA) audited public assistance funds awarded to the Municipality. The audit period covered May 4, 2007 to January 17, 2012. FEMA selected a sample of projects awarded that covered 61% of the total funds awarded. The audit resulted in \$609,351 (Finding A) of unsupported contract costs under one large project. FEMA contends that the invoices that supported these costs did not include sufficient documentation such as material stock records. The City and Kansas Department of Emergency Management are disputing the finding and believe there is adequate documentation to support the costs. There were two additional findings. The first was for duplicate contract costs in the amount of \$43,317 (Finding B) and ineligible costs of \$33,988 (Finding C).

On November 8, 2012, the City received a FEMA closeout letter from the Kansas Adjutant General's Department requesting final payment of \$163,452.44. This was the final settlement of the three above findings. The amount was accrued in accounts payable at year end and was paid in January 2013. Findings B & C were accrued as accounts payable at December 31, 2011.

H. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The Municipality purchases commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

I. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

<u>Project</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>	<u>Remaining Authorization</u>
Big Well	\$ 3,928,957	\$ 3,898,987	\$ 29,970
Water Treatment Facility	<u>3,956,000</u>	<u>3,424,733</u>	<u>531,267</u>
	<u>\$ 7,884,957</u>	<u>\$ 7,323,720</u>	<u>\$ 561,237</u>

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 30, 2013, the date on which the financial statement was available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in this financial statement.

**REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF GREENSBURG, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

Year ended December 31, 2012

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General	\$ 1,014,360	\$ -	\$ 1,014,360	\$ 980,669	\$ 33,691
Special purpose funds:					
City tax infrastructure	239,000	-	239,000	105,481	133,519
Big well	483,000	-	483,000	218,000	265,000
Fire equipment reserve	70,000	-	70,000	-	70,000
Special highway	204,000	-	204,000	3,836	200,164
Incubator	310,000	-	310,000	67,908	242,092
Tourism and convention promotion	65,000	-	65,000	64,990	10
Business funds:					
Electric utility	1,784,575	-	1,784,575	1,498,012	286,563
Water utility	192,000	-	192,000	89,043	102,957
Sewage disposal	73,275	-	73,275	53,874	19,401
Sanitation	110,000	-	110,000	104,782	5,218
Total	<u>\$ 4,545,210</u>	<u>\$ -</u>	<u>\$ 4,545,210</u>	<u>\$ 3,186,595</u>	<u>\$ 1,358,615</u>

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 379,585	\$ 429,445	\$ 432,856	\$ (3,411)
Delinquent tax	5,551	5,576	1,990	3,586
Vehicle taxes	43,930	44,002	47,375	(3,373)
Local sales tax	103,649	97,431	90,000	7,431
Federal aid	-	230,069	-	230,069
Connecting links	375	376	250	126
Franchise fees	23,083	20,052	20,000	52
Licenses and permits	26,734	10,704	3,000	7,704
Fines - municipal court	1,864	643	2,000	(1,357)
Penalties on utility bills	13,735	12,445	7,500	4,945
Swimming pool	6,434	6,638	5,000	1,638
County pool aid	10,000	10,000	10,000	-
Interest on idle funds	35,515	11,548	20,000	(8,452)
Other	2,073	4,820	-	4,820
Transfer from FEMA tornado fund	-	2,430	-	2,430
Total cash receipts	652,528	886,179	\$ 639,971	\$ 246,208
Expenditures:				
General government:				
Personal services	257,558	200,398	\$ 337,500	\$ 137,102
Contractual services	216,294	219,443	85,000	(134,443)
Grant expense	12,879	-	-	-
Commodities	23,557	23,320	24,000	680
Capital outlay	70,598	169	20,000	19,831
Subtotal	580,886	443,330	466,500	23,170
Police department:				
Personal services	-	1,591	-	(1,591)
Contractual services	-	18,803	53,000	34,197
Commodities	-	1,234	-	(1,234)
Capital outlay	-	17,200	-	(17,200)
Subtotal	-	38,828	53,000	14,172
Fire department:				
Personal services	10,647	11,974	12,000	26
Contractual services	3,759	3,822	13,000	9,178
Commodities	121	100	4,000	3,900
Subtotal	14,527	15,896	29,000	13,104

CITY OF GREENSBURG, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Street department:				
Personal services	\$ 148,898	\$ 192,731	\$ 130,000	\$ (62,731)
Contractual services	16,571	3,189	48,000	44,811
Commodities	35,741	27,370	34,250	6,880
Capital outlay	-	-	25,000	25,000
Subtotal	201,210	223,290	237,250	13,960
Park department:				
Personal services	3,532	6,840	4,000	(2,840)
Contractual services	3,005	2,096	4,300	2,204
Commodities	7,931	7,304	4,500	(2,804)
Capital outlay	-	-	15,000	15,000
Subtotal	14,468	16,240	27,800	11,560
Swimming pool:				
Personal services	28,358	31,548	28,000	(3,548)
Contractual services	5,160	2,921	9,000	6,079
Commodities	6,890	5,592	12,000	6,408
Capital outlay	-	-	13,000	13,000
Subtotal	40,408	40,061	62,000	21,939
Airport:				
Contractual services	1,666	2,135	-	(2,135)
Reimbursed expenditures	(9,194)	(1,499)	-	1,499
Transfer to community sign	4,040	-	-	-
Neighborhood revitalization rebate	149,494	202,388	138,810	(63,578)
Total expenditures	997,505	980,669	\$ 1,014,360	\$ 33,691
Receipts over (under) expenditures	(344,977)	(94,490)		
Unencumbered cash, beginning of year	863,868	518,891	\$ 374,389	\$ 144,502
Unencumbered cash, end of year	\$ 518,891	\$ 424,401	\$ -	\$ 424,401

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

CITY TAX INFRASTRUCTURE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Local sales tax	\$ 88,670	\$ 98,553	\$ 85,000	\$ 13,553
Equipment sold	74,600	-	-	-
Other	5,012	-	-	-
Total cash receipts	168,282	98,553	\$ 85,000	\$ 13,553
Expenditures:				
Contractual services	6,210	-	\$ -	\$ -
Commodities	5,287	1,956	-	(1,956)
Capital outlay	-	103,525	239,000	135,475
Total expenditures	11,497	105,481	\$ 239,000	\$ 133,519
Receipts over (under) expenditures	156,785	(6,928)		
Unencumbered cash, beginning of year	119,857	276,642	\$ 154,857	\$ 121,785
Unencumbered cash, end of year	\$ 276,642	\$ 269,714	\$ 857	\$ 268,857

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

BIG WELL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Sales tax	\$ 87,670	\$ 98,634	\$ 85,000	\$ 13,634
Merchandise sales and admissions	30,128	128,418	50,000	78,418
Other	13,196	4,060	-	4,060
Total cash receipts	130,994	231,112	\$ 135,000	\$ 96,112
Expenditures:				
Personal services	34,415	69,656	\$ 48,000	\$ (21,656)
Contractual services	18,764	88,966	80,000	(8,966)
Commodities	25,649	59,378	55,000	(4,378)
Capital outlay	-	-	300,000	300,000
Total expenditures	78,828	218,000	\$ 483,000	\$ 265,000
Receipts over (under) expenditures	52,166	13,112		
Unencumbered cash, beginning of year	356,956	409,122	\$ 348,590	\$ 60,532
Unencumbered cash, end of year	\$ 409,122	\$ 422,234	\$ 590	\$ 421,644

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

FIRE EQUIPMENT RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Other	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	\$ 70,000	\$ 70,000
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	70,658	70,658	\$ 70,658	\$ -
Unencumbered cash, end of year	\$ 70,658	\$ 70,658	\$ 658	\$ 70,000

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Special highway payments	\$ 25,786	\$ 20,103	<u>\$ 36,180</u>	<u>\$ (16,077)</u>
Expenditures:				
Commodities	<u>44,088</u>	<u>3,836</u>	<u>\$ 204,000</u>	<u>\$ 200,164</u>
Receipts over (under) expenditures	(18,302)	16,267		
Unencumbered cash, beginning of year	<u>180,394</u>	<u>162,092</u>	<u>\$ 168,554</u>	<u>\$ (6,462)</u>
Unencumbered cash, end of year	<u>\$ 162,092</u>	<u>\$ 178,359</u>	<u>\$ 734</u>	<u>\$ 177,625</u>

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

INCUBATOR FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 880	\$ 31,746	\$ -	\$ 31,746
Rents	27,485	26,328	24,500	1,828
Total cash receipts	28,365	58,074	\$ 24,500	\$ 33,574
Expenditures:				
Personal services	8,796	10,098	\$ 10,000	\$ (98)
Contractual services	60,336	53,312	40,000	(13,312)
Commodities	4,587	4,498	10,000	5,502
Capital outlay	-	-	250,000	250,000
Total expenditures	73,719	67,908	\$ 310,000	\$ 242,092
Receipts over (under) expenditures	(45,354)	(9,834)		
Unencumbered cash, beginning of year	288,403	243,049	\$ 288,590	\$ (45,541)
Unencumbered cash, end of year	\$ 243,049	\$ 233,215	\$ 3,090	\$ 230,125

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

TOURISM AND CONVENTION PROMOTION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transient guest tax	\$ 42,226	\$ 72,569	\$ 33,000	\$ 39,569
Donations	-	5,000	-	5,000
Other	2,036	3,500	-	3,500
Total cash receipts	44,262	81,069	\$ 33,000	\$ 48,069
Expenditures:				
Tourism and convention promotion	32,315	64,990	\$ 65,000	\$ 10
Receipts over (under) expenditures	11,947	16,079		
Unencumbered cash, beginning of year	56,322	68,269	\$ 46,322	\$ 21,947
Unencumbered cash, end of year	\$ 68,269	\$ 84,348	\$ 14,322	\$ 70,026

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

ALL NON-BUDGETED SPECIAL PURPOSE FUNDS SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

Year ended December 31, 2012

	Public building - big well	FEMA tornado	Tornado donation	Tornado insurance
Cash receipts:				
Federal aid	\$ -	\$ 2,060	\$ -	\$ -
FEMA admin allowance	-	4,192	-	-
FEMA state match	-	275	-	-
State loan proceeds	-	412	-	-
State aid	-	-	-	-
USDA grant	1,964,429	12,029	-	-
Interest on idle funds	-	-	1,476	-
Donations	-	-	26,232	-
Rent	-	-	-	-
Transfer from insurance	-	-	-	-
Total cash receipts	<u>1,964,429</u>	<u>18,968</u>	<u>27,708</u>	<u>-</u>
Expenditures:				
General government:				
Personal services	-	-	-	-
Contractual services	1,859,582	66,383	200	31,273
Commodities	6,069	36	-	-
Capital outlay	-	-	-	-
Transfer to general	-	-	-	-
Transfer to airport grant	-	-	-	25,436
Debt service:				
Bond principal	-	-	-	-
Bond interest	-	-	-	-
Reimbursed expenditures	<u>(20,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,845,551</u>	<u>66,419</u>	<u>200</u>	<u>56,709</u>
Receipts over (under) expenditures	118,878	(47,451)	27,508	(56,709)
Unencumbered cash balance (deficit), beginning of year	<u>(128,875)</u>	<u>47,451</u>	<u>-</u>	<u>1,757,435</u>
Unencumbered cash balance (deficit), end of year	<u>\$ (9,997)</u>	<u>\$ -</u>	<u>\$ 27,508</u>	<u>\$ 1,700,726</u>

See Independent Auditor's Report.

SCHEDULE 2-8

<u>Airport grant</u>	<u>Energy manager</u>	<u>FEMA loan</u>	<u>Planet green donation</u>	<u>Public building - debt service</u>	<u>Public building - reserve</u>	<u>Total</u>
\$ -	\$ 55,536	\$ -	\$ -	\$ -	\$ -	\$ 57,596
-	-	-	-	-	-	4,192
-	-	-	-	-	-	275
-	-	-	-	-	-	412
283,089	-	-	-	-	-	283,089
-	-	-	-	-	-	1,976,458
-	15	-	88	-	-	1,579
-	-	-	-	-	-	26,232
-	-	-	-	56,088	5,609	61,697
25,436	-	-	-	-	-	25,436
<u>308,525</u>	<u>55,551</u>	<u>-</u>	<u>88</u>	<u>56,088</u>	<u>5,609</u>	<u>2,436,966</u>
-	42,967	-	-	-	-	42,967
68,525	384	-	-	-	-	2,026,347
-	21,505	-	-	-	-	27,610
240,000	-	-	-	-	-	240,000
-	-	2,430	-	-	-	2,430
-	-	-	-	-	-	25,436
-	-	-	-	18,588	-	18,588
-	-	-	-	37,500	-	37,500
-	-	-	-	-	-	(20,100)
<u>308,525</u>	<u>64,856</u>	<u>2,430</u>	<u>-</u>	<u>56,088</u>	<u>-</u>	<u>2,400,778</u>
-	(9,305)	(2,430)	88	-	5,609	36,188
<u>-</u>	<u>9,305</u>	<u>2,430</u>	<u>10,537</u>	<u>-</u>	<u>-</u>	<u>1,698,283</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,625</u>	<u>\$ -</u>	<u>\$ 5,609</u>	<u>\$ 1,734,471</u>

CITY OF GREENSBURG, KANSAS

ELECTRIC UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Sales	\$ 1,468,599	\$ 1,457,208	\$ 1,750,000	\$ (292,792)
Security lights	7,206	7,046	7,000	46
Service charge	-	8	-	8
Other	4,040	7,451	-	7,451
Total cash receipts	<u>1,479,845</u>	<u>1,471,713</u>	<u>\$ 1,757,000</u>	<u>\$ (285,287)</u>
Expenditures:				
Production:				
Electricity	792,621	824,817	\$ 950,000	\$ 125,183
Capital outlay	46,297	-	-	-
Transmission and distribution:				
Personal services	243,882	316,453	278,000	(38,453)
Contractual services	66,578	73,180	100,000	26,820
Commodities	39,274	36,867	40,000	3,133
Capital outlay	-	80,331	250,000	169,669
Transfer to electric debt service	182,500	166,364	166,575	211
Reimbursed expenditures	(1,524)	-	-	-
Total expenditures	<u>1,369,628</u>	<u>1,498,012</u>	<u>\$ 1,784,575</u>	<u>\$ 286,563</u>
Receipts over (under) expenditures	110,217	(26,299)		
Unencumbered cash, beginning of year	<u>688,593</u>	<u>798,810</u>	<u>\$ 705,968</u>	<u>\$ 92,842</u>
Unencumbered cash, end of year	<u>\$ 798,810</u>	<u>\$ 772,511</u>	<u>\$ 678,393</u>	<u>\$ 94,118</u>

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

WATER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Water sales - meters	\$ 236,797	\$ 253,843	\$ 193,000	\$ 60,843
Water sales - tank	-	605	-	605
Water service charge	-	7	-	7
State water protection fee	2,358	2,590	1,300	1,290
Total cash receipts	239,155	257,045	\$ 194,300	\$ 62,745
Expenditures:				
Personal services	39,170	-	\$ 33,000	\$ 33,000
Contractual services	43,677	48,595	40,000	(8,595)
Commodities	14,167	19,134	18,000	(1,134)
Capital outlay	647	-	1,000	1,000
Transfer to water principal and interest	91,413	23,914	90,000	66,086
Transfer to water reserve	-	-	10,000	10,000
Reimbursed expenditures	(3,150)	(2,600)	-	2,600
Total expenditures	185,924	89,043	\$ 192,000	\$ 102,957
Receipts over (under) expenditures	53,231	168,002		
Unencumbered cash, beginning of year	3,914	57,145	\$ 3,214	\$ 53,931
Unencumbered cash, end of year	\$ 57,145	\$ 225,147	\$ 5,514	\$ 219,633

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

SEWAGE DISPOSAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Sewer service charges	\$ 49,692	\$ 50,186	\$ 50,000	\$ 186
Other receipts	-	80	-	80
Total cash receipts	49,692	50,266	\$ 50,000	\$ 266
Expenditures:				
Personal services	45,592	53,319	\$ 51,625	\$ (1,694)
Contractual services	6,080	133	9,650	9,517
Commodities	669	672	7,000	6,328
Capital outlay	-	-	5,000	5,000
Reimbursed expenditures	(590)	(250)	-	250
Total expenditures	51,751	53,874	\$ 73,275	\$ 19,401
Receipts over (under) expenditures	(2,059)	(3,608)		
Unencumbered cash, beginning of year	41,977	39,918	\$ 23,352	\$ 16,566
Unencumbered cash, end of year	\$ 39,918	\$ 36,310	\$ 77	\$ 36,233

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

SANITATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Sanitation service charge	\$ 106,968	\$ 106,456	\$ 108,000	\$ (1,544)
Other	-	18	-	18
Total cash receipts	106,968	106,474	\$ 108,000	\$ (1,526)
Expenditures:				
Personal services	23,951	-	\$ -	\$ -
Contractual services	107,634	99,782	105,000	5,218
Commodities	844	-	-	-
Transfer to sanitation capital reserve	5,000	5,000	5,000	-
Total expenditures	137,429	104,782	\$ 110,000	\$ 5,218
Receipts over (under) expenditures	(30,461)	1,692		
Unencumbered cash, beginning of year	155,123	124,662	\$ 143,123	\$ (18,461)
Unencumbered cash, end of year	\$ 124,662	\$ 126,354	\$ 141,123	\$ (14,769)

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

ALL NON-BUDGETED BUSINESS FUNDS SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

Year ended December 31, 2012

	<u>Electric debt service</u>	<u>Electric debt reserve</u>	<u>Water reserve</u>	<u>Water principal and interest</u>
Cash receipts:				
Federal aid	\$ -	\$ -	\$ -	\$ -
Utility deposits	-	-	-	-
Other	-	-	-	-
Bond proceeds	-	-	-	2,021,786
Transfer from electric utility	166,364	-	-	-
Transfer from water utility	-	-	-	23,914
Transfer from sanitation	-	-	-	-
	<u>166,364</u>	<u>-</u>	<u>-</u>	<u>2,045,700</u>
Total cash receipts				
Expenditures:				
Contractual services	-	-	-	-
Return utility deposits	-	-	-	-
Debt service:				
Bond principal	130,000	-	-	2,015,000
Bond interest	36,581	-	-	18,927
	<u>166,581</u>	<u>-</u>	<u>-</u>	<u>2,033,927</u>
Total expenditures				
Receipts over (under)				
expenditures	(217)	-	-	11,773
Unencumbered cash				
balance (deficit),				
beginning of year	<u>14,218</u>	<u>100,000</u>	<u>17,920</u>	<u>26,441</u>
Unencumbered cash balance				
(deficit),end of year	<u>\$ 14,001</u>	<u>\$ 100,000</u>	<u>\$ 17,920</u>	<u>\$ 38,214</u>

See Independent Auditor's Report.

SCHEDULE 2-13

<u>USDA grant</u>	<u>Sewer replacement</u>	<u>Sanitation capital reserve</u>	<u>Meter deposits</u>	<u>Total</u>
\$ 526,690	\$ -	\$ -	\$ -	\$ 526,690
-	-	-	4,827	4,827
-	-	-	153	153
1,881,215	-	-	-	3,903,001
-	-	-	-	166,364
-	-	-	-	23,914
-	-	5,000	-	5,000
<u>2,407,905</u>	<u>-</u>	<u>5,000</u>	<u>4,980</u>	<u>4,629,949</u>
2,830,195	-	-	-	2,830,195
-	-	-	5,600	5,600
-	-	-	-	2,145,000
-	-	-	-	55,508
<u>2,830,195</u>	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>5,036,303</u>
(422,290)	-	5,000	(620)	(406,354)
<u>(280,672)</u>	<u>28,192</u>	<u>71,542</u>	<u>22,565</u>	<u>206</u>
<u>\$ (702,962)</u>	<u>\$ 28,192</u>	<u>\$ 76,542</u>	<u>\$ 21,945</u>	<u>\$ (406,148)</u>

CITY OF GREENSBURG, KANSAS

AGENCY FUNDS
SUMMARY OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS

Year ended December 31, 2012

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending cash balance</u>
Sales tax	\$ 2,869	\$ 38,398	\$ 40,937	\$ 330
Payroll clearing	<u>-</u>	<u>821,040</u>	<u>821,040</u>	<u>-</u>
Total	<u>\$ 2,869</u>	<u>\$ 859,438</u>	<u>\$ 861,977</u>	<u>\$ 330</u>

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

GREENSBURG HOUSING AUTHORITY
RELATED MUNICIPAL ENTITYSCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

Year ended December 31, 2012

Cash receipts:	
Rental assistance	\$ 89,670
Rental income	44,453
Laundry and other income	3,259
Tenant charges	19,558
Forfeited security deposits	1,911
Interest income	310
	<hr/>
Total cash receipts	159,161
	<hr/>
Expenditures:	
Maintenance and operating	45,879
Salaries and payroll taxes	40,142
Administration	7,492
Utilities	38,301
Insurance	10,166
Legal expense	383
Security deposit refunds	1,419
Miscellaneous expense	5
	<hr/>
Total expenditures	143,787
	<hr/>
Receipts over (under) expenditures	15,374
Unencumbered cash, beginning of year	56,210
	<hr/>
Unencumbered cash, end of year	\$ 71,584
	<hr/>

See Independent Auditor's Report.

CITY OF GREENSBURG, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2012

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through/ grantor's number	Expenditures
Federal Emergency Management Agency			
Passed through Kansas Emergency Management: Public Assistance Grant PW-165 City Hall - Temporary Facilities	97.036	N/A	\$ 2,060
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities - Direct Loan	10.760	N/A	2,136,242
Water and Waste Disposal Systems for Rural Communities - Project Grant	10.760	N/A	998,734
Community Facility Grant for City Hall	10.766	N/A	2,843
Community Facility Loan (Public Building Comm)	10.766	N/A	39,468
Community Facility Grant (Public Building Comm)	10.766	N/A	1,647,638
Community Facility Grant EII (Public Building Comm)	10.766	N/A	155,000
Rural Business Enterprise Grant (Incubator)	10.769	N/A	31,746
			<u>5,011,671</u>
U.S. Department of Energy			
Passed through Kansas Corporation Commission: Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	DE-EE0000727	65,225
Total federal awards			<u>\$ 5,078,956</u>

Note: The Schedule of Expenditures of Federal Awards was prepared
using the KMAAG Regulatory Basis of Accounting.

APPENDICES

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Greensburg, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of City of Greensburg, Kansas as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 30, 2013. Our report on the financial statement disclosed that, as described in Note A to the financial statement, the City has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered City of Greensburg, Kansas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Greensburg, Kansas's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kennedy McKee & Company LLP

July 30, 2013

Kennedy
McKee & Company LLP Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

The Honorable Mayor and City Council
City of Greensburg, Kansas

Report on Compliance for Each Major Federal Program

We have audited City of Greensburg, Kansas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Greensburg, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Federal Awards Required by OMB Circular A-133

We have audited the financial statement of the City of Greensburg, Kansas as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 30, 2013, which contained an unmodified opinion on the financial statement. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statement as a whole.

Kennedy McKee & Company LLP

July 30, 2013

CITY OF GREENSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statement of City of Greensburg, Kansas.
2. There were no significant deficiencies disclosed during the audit of the financial statement and reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of the City of Greensburg, Kansas which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of internal control over major federal programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Greensburg, Kansas expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
 - Water and Waste Disposal Systems for Rural Communities – Direct Loan (CFDA #10.760)
 - Water and Waste Disposal Systems for Rural Communities – Project Grant (CFDA #10.760)
 - Community Facility Grant for City Hall (CFDA #10.766)
 - Community Facility Loan for Public Building Commission (CFDA #10.766)
 - Community Facility Grant for Public Building Commission (CFDA #10.766)
 - Community Facility Grant Economic Improvement Initiative Grant (CFDA #10.766)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. City of Greensburg, Kansas did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None noted

CITY OF GREENSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended December 31, 2012

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None relative to federal awards.